Chairman's Message

To our shareholders, associates, customers and communities:

Ensuring that Regions' customers can bank however, whenever and wherever they choose is one of the important ways we put customer needs at the center of our strategy to build sustainable franchise value. Customer expectations are evolving rapidly, and we are excited about the many opportunities for technology to expand choice, increase convenience and provide a consistent experience across all delivery channels. Yet, even as digital capabilities transform our industry, we see technology as a way to enhance, not replace, the enormous value of a personal, trusted relationship between bankers and those they serve. Whether it is a busy parent managing her family's finances, the leader of a growing enterprise seeking capital to expand, or a young couple mapping a strategy to pay for college and retirement, our ability to meet and exceed expectations starts with a deep understanding of customers' needs. That focus on connecting the right solution with a specific need, serving as a knowledgeable and trusted advisor, and building deeper relationships with our customers is fundamental to who we are and the key to our continued success.

Evidence of our strong customer service comes daily from the many positive letters and emails we receive, as well as by industry observers. In 2016, Regions was named the Most Reputable Bank by the Reputation Institute and *American Banker* magazine, and, for the second consecutive year, we had the best reputation among customers. The Temkin Group placed Regions second in the nation for online experience and in the top 10 percent for overall customer experience. Additionally, measures of customer satisfaction, derived from nearly 200,000 customer interviews conducted by the Gallup Organization, show that our topline service metrics continue to improve. Moreover, we are pleased that we are improving the consistency and predictability of service delivery across geographies and business units.

Fortifying a Foundation of Trust and Integrity

While these indicators demonstrate that we are doing the right things to ensure an outstanding customer experience, we are also doing more to identify issues that may arise. Trust and integrity have never been more important in the financial services industry. In an organization that spans 15 states and employs 22,000 employees, it is crucial to not only address customer concerns on an individual basis but also to use that information to drive improvements across our organization. We also believe our enterprise-wide strategy, central to which is creating shared value for all stakeholders, contributes to our ability to earn and retain trust. Regions bankers are trained to ask the right questions that help customers define their most important financial goals. Our shared value approach requires that our bankers put the needs of customers at the center of every interaction with them, and that the solutions we provide deliver real value. As we execute against our strategic plans, we know that getting the right results is important, but getting them in the right way is critical.

Enhancing Value While Achieving Our Financial Objectives

This customer-centric approach was one of the contributors to our strong performance. Despite a challenging operating environment, in 2016 Regions' total shareholder return, comprised of the increase in share price and the value of dividends, was 53 percent, one of the highest in our company's history. We manage our business with a focus on creating value over the long term, and we are pleased that our five-year total shareholder return of 263 percent places us second in our banking peer group.

The fundamentals of our business remain sound, and our focus on executing our strategic initiatives continues to deliver solid financial results. For the year, net income available to common shareholders totaled $1.1 billion, an increase of 10 percent over the prior year. Earnings per diluted share were $0.87, an increase of 16 percent. We delivered these results with an interest rate environment that showed only modest improvement and at a time when overall economic growth remained muted. Although expanding our loan portfolio is part of our long-term growth agenda, we are committed to doing so in a thoughtful and disciplined manner. To that end we have tempered our risk appetite in certain sectors and have deliberately limited loan production while focusing on increasing risk-adjusted returns. As such, average loan balances were relatively stable on a year-over-year basis; however, our overall margin improved. We will remain focused on prudent and quality loan growth. We also experienced modest growth in average deposits, which grew by $1 billion, or 1 percent. At year end, our low-cost deposits remained robust and represented more than 92 percent of our total deposit base.

Growth Through Diversification

Diversifying revenue is central to our growth strategy, and it is also one of the most powerful risk management tools at our disposal. To that end, we are pleased with our progress in growing non-interest revenue in 2016, both in real terms and as a percentage of our overall revenue mix. On an adjusted* basis, non-interest income grew by 7 percent and demonstrates that our targeted investments are delivering results. Highlights included strong returns in capital markets, where we continue to expand our product offerings and broaden our capabilities, including mergers and acquisitions advisory services and affordable housing. We also achieved growth in wealth management income and assets under administration, an area where we have added talent and capabilities during the past several years. Increases in checking accounts, active credit cards and mortgage income were also meaningful contributors.

Risk management is fundamental to our culture, and we empower and expect every Regions associate to be an owner and manager of risk. Effective risk management requires a team approach, and each team member is empowered and expected to take full ownership of the risks that they encounter in their work. Diversification is one of our most important tools to effectively manage risk in our business. Diversification in geographies, products, customers and industry segments provides an opportunity to best protect our company and provide sustainable franchise value.

Effective capital deployment is one of our core financial strategic initiatives, and three priorities continue to guide our capital allocation strategy: organic growth, strategic investments and returning capital to shareholders. Our first priority for capital is investing in organic growth in a prudent and balanced manner. We will continue to make strategic investments that improve the efficiency of our operations or provide opportunities for additional bolt-on acquisitions that can further contribute to revenue growth. We are also committed to returning an appropriate level of capital to our shareholders. In 2016, we returned $1.2 billion to shareholders in the form of quarterly dividends and common share repurchases.

Increased Efficiency: A Powerful Growth Driver

Disciplined expense management is both a strategic initiative and a key component of our earnings growth plan. In an environment in which interest rate increases are likely to be slow and measured, it is essential that we focus on what we can control. When we operate more efficiently, we have the opportunity to invest those savings in initiatives that can generate revenue growth and increase franchise value. In late 2015 we announced our intention to eliminate $300 million of core expenses over three years. Last year we raised that target to $400 million by 2019, which represents 11.5 percent of our 2015 adjusted expense base. As part of that initiative, we have streamlined and implemented process improvements that have reduced staffing requirements by approximately 5 percent. By leveraging Lean Six Sigma principles, we have identified opportunities for both cost reductions and revenue improvements. We are also reducing costs through branch and real estate optimization. In 2016 we announced the consolidation of 103 branches and are working toward meeting or exceeding our goal of 150 branch consolidations by the end of 2017. These measures, and others, helped us achieve positive operating leverage of 2.6 percent for 2016 and reduced our efficiency ratio by 159 basis points, both on an adjusted basis.*

In addition to expense eliminations, we are adding technology and systems that result in a better customer experience, improved risk management and lower costs. These include our investments in enhanced online banking, digital and mobile capabilities, and in our next-generation branches, which incorporate technology to deliver better service more efficiently.

**See table 2 in Form 10-K for GAAP to non-GAAP reconciliations*

$1.2 BILLION
in earnings returned to shareholders in 2016

Strong Team, Sound Culture: Positioned to Achieve Growth

As we seek to build sustainable franchise value, we have established clear three-year, long-term targets: a compound annual growth rate in adjusted earnings per share of 12 to 15 percent, an adjusted efficiency ratio below 60 percent, and an adjusted return on average tangible common equity of 12 to 14 percent. These are ambitious goals, and achieving them requires that we leverage the talents of thousands of Regions associates working as one unified team. It is rewarding to note that our associates are some of the most engaged in the industry and that, for the second year in a row, Regions was named a winner of the Gallup Great Workplace Award – one of only 35 companies worldwide to be so honored.

That high level of associate engagement across teams, departments and locations can be attributed to several factors. We strive to create a culture that respects the contributions of every associate and provides opportunities for their growth and development. We believe our commitment to the right values drives the correct behaviors, producing the right results, thereby creating shared value for customers, associates, communities and shareholders. Our culture is a powerful advantage as we seek to recruit the best. In fact, we often hear from new hires that they were attracted to Regions because of the positive and rewarding work environment. It is one where they can make their own contribution to the vital role we play in supporting the economic growth of customers and our communities – and do so with unwavering integrity. Going forward, we expect our strong culture to be an important competitive advantage that will underpin successful execution of our strategy.

In closing, I am personally grateful to our associates for their energy and commitment, and to our customers, shareholders and our Board of Directors for their continued support.

Sincerely,

Grayson Hall

GRAYSON HALL
Chairman, President and
Chief Executive Officer

Please visit our website to view the entire online Annual Review at **ir.regions.com**.

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